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C O N F I D E N T I A L SECTION 1 OF 4 STOCKHOLM 6607

E.O. 11652: GDS

TAGS: PINT, PFOR, SW

SUBJECT: PROGRESS REPORT ON SWEDEN'S NON-SOCIALIST GOVERNMENT

REF: STOCKHOLM 5604

1. BEGIN SUMMARY. WITH ONLY TWO MONTHS IN OFFICE AND THE
SETTLING-IN PERIOD OBVIOUSLY NOT COMPLETED, IT NEVERTHELESS
APPEARS THAT SWEDEN'S NEW NON-SOCIALIST GOVERNMENT WILL
CONTENT ITSELF, AT LEAST IN THE NEAR TERM, LARGELY WITH
PRESERVING THE STATUS QUO BEQUEATHED BY THE SOCIAL
DEMOCRATS. FOREIGN AND DEFENSE POLICIES WILL NOT BE
TINKERED WITH IN ANY SERIOUS WAY; NEITHER WILL THE VAST
SOCIAL WELFARE SYSTEM. FALLDIN AND HIS SUPPORTERS MOST
PROBABLY WILL VIEW HIS SUCCESS NOT IN TERMS OF
INNOVATIVE CHANGES OR THE DISMANTLING OF THE SOCIAL
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DEMOCRATIC STRUCTURE, BUT IN THE MORE PASSIVE CONTEXT OF

HAVING STOPPED FURTHER ADVANCES TOWARDS THE SOCIALIZATION OF SWEDISH SOCIETY, PARTICULARLY IN THE ECONOMIC AREA. THE FALLDIN GOVERNMENT'S CARETAKER APPROACH SEEMS TO ACCOMMODATE THE CURRENT PUBLIC MOOD BUT CONTINUED SUPPORT WILL DEPEND ON HOW WELL BURGEONING ECONOMIC PROBLEMS ARE HANDLED. CONFUSION WITHIN THE COALITION AND PUBLIC AS A RESULT OF CONTRADICTORY STATEMENTS ON PUBLIC POLICY BY VARIOUS MINISTERS IS A REFLECTION OF THEIR INEXPERIENCE IN GOVERNMENT AND IS EXPECTED TO SUBSIDE AS COORDINATION AND DISCIPLINE IMPROVE. US INTERESTS REMAINS LARGELY UNAFFECTED BY THE CHANGE IN GOVERNMENT, ALTHOUGH OUR ABILITY TO CONSULT AND COOPERATE IN IMPORTANT AREAS OF FOREIGN AND INTERNATIONAL ECONOMIC POLICIES HAVE BEEN SOMEWHAT ENHANCED THROUGH THE LESS DOCTRINAIRE APPROACH TO COMMON INTERESTS AND PROBLEMS OF NEW KEY OFFICIALS. END SUMMARY.

2. WHILE IN OFFICE LESS THAN 60 DAYS AND WITH SOME REORGANIZATION OF THE MINISTRIES AND THE 1977 BUDGET PREPARATION NOT YET COMPLETED, THE NEW NON-SOCIALIST GOVERNMENT UNDER PRIME MINISTER THORBJORN FALLDIN HAS NEVERTHELESS INDICATED THE ESSENTIALLY STATUS QUO PATH ALONG WHICH IT WILL TRAVEL OVER THE NEXT THREE YEARS. THE EMBASSY BELIEVES IT USEFUL TO RECORD THE STATE OF SWEDISH POLITICAL LIFE AT THIS JUNCTURE, TO IDENTIFY THE TRENDS OF GOVERNMENT POLICIES AND TO ASSESS IN A SUMMARY WAY THE OVERALL EFFECT, IF ANY, ON US INTERESTS IN SWEDEN.

3. GOVERNMENT'S WORK THUS FAR, IT IS NECESSARY TO KEEP IN MIND TWO BASIC FACTS: (1) NONE OF THE NON-SOCIALIST LEADERS HAS EVER BEFORE ENJOYED GOVERNMENT POWER; AND (2) FALLDIN OF THE CENTER PARTY, BOHMAN OF THE MODERATES AND AHLMARK OF THE LIBERALS HAVE NEVER BEEN FORCED BY PREVIOUS CIRCUMSTANCES TO WORK IN CLOSE COOPERATION WITH EACH OTHER. ON THE CONTRARY, THE THREE NON-SOCIALIST PARTIES THROUGHOUT THE 44-YEAR MONOPOLY OF THE SOCIAL DEMOCRATS IN GOVERNMENT POWER HAVE CRITICIZED ONE ANOTHER'S PROGRAMS ALMOST AS OFTEN AND AS SEVERELY AS THEY HAVE THE SOCIAL DEMOCRATS. THEIR INEXPERIENCE IN WORKING IN CONCERT EXPLAINS IN LARGE MEASURE THE CONFUSION

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STIMULATED IN THIS SETTLING-IN PERIOD BY THE CONTRADICTORY PUBLIC STATEMENTS OF INDIVIDUAL MINISTERS, PARTICULARLY WITH REGARD TO ENERGY AND FOREIGN POLICY ISSUES. SUCH STATEMENTS INDICATE THAT SOME COALITION PARTNERS, PARTICULARLY LIBERAL PARTY CHAIRMAN PER AHLMARK, ARE HAVING A DIFFICULT TIME SUBDUING TRADITIONAL PARTY POSITIONS FOR THE SAKE OF INTRA-COALITION AGREEMENT AND GOVERNMENT UNITY. DESPITE THEIR CLOSE ASSOCIATION NOW

(THE ENTIRE CABINET LUNCHES TOGETHER EVERY WEEKDAY), STRICT ADHERENCE TO THE COMPROMISE POLICIES LAID DOWN IN THE GOVERNMENT DECLARATION ON OCTOBER 8 (REFTEL) IS NOT YET A FACT OF LIFE FOR ALL CABINET MEMBERS. AND, OF COURSE, WHENEVER SUCH DEVIATIONS SURFACE, THEY ARE QUICKLY POUNCED UPON AND LAMPOONED BY THE VERY FREE SWEDISH MEDIA AND THE SOCIAL DEMOCRATIC OPPOSITION. FALLDIN HAS REFUSED THUS FAR TO KNOCK HEADS TOGETHER TO ENFORCE DISCIPLINE, FEELING PERHAPS THAT TO RESORT TO SUCH MEASURES IS COUNTER-PRODUCTIVE IN THE LONG RUN. THE PUBLIC AIRING OF INTRA-COALITION DIFFERENCES IS BECOMING LESS FREQUENT, HOWEVER, AND WE EXPECT AN INCREASINGLY UNIFIED APPROACH TO OUTSTANDING ISSUES AS BUDGET PRESENTATION TIME DRAWS CLOSER.

4. PUBLIC VIEW OF GOVERNMENT. THE EMBASSY SHARES WHAT WE BELIEVE TO BE THE GENERAL SWEDISH PUBLIC EXPECTATION FOR THE FALLDIN REGIME, VIZ., THAT IT WILL NOT ENTER HISTORY BOOKS AS AN ACTIVIST OR ESPECIALLY INNOVATIVE GOVERNMENT, BUT WILL BE RECORDED AS HAVING STOPPED, AT LEAST TEMPORARILY, SPECIFIC SOCIAL DEMOCRATIC PLANS FOR THE FURTHER SOCIALIZATION OF SWEDISH SOCIETY, PARTICULARLY IN THE ECONOMIC AREA. FALLDIN AND HIS NON-SOCIALIST COLLEAGUES WERE VOTED IN BECAUSE THEY OPPOSED SDP ASPIRATIONS FOR ADDITIONAL GOVERNMENT REGULATION AND CONTROL OF THE ECONOMY, INCREASED TRADE UNION DIRECTION OVER AND OWNERSHIP OF PRIVATE INDUSTRY THROUGH THE SO-CALLED MEIDNER PLAN, THE MAINTENANCE OF

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A VERY HIGH RATE OF TAXATION OF INDIVIDUAL INCOME, AND THE CONTINUED FEEDING OF A GROWING AND INCREASINGLY CONTROVERSIAL GOVERNMENT BUREAUCRACY. IF IT TURNS OUT TO BE NOTHING MORE THAN A "STOPPER" IN THESE AREAS, THE FALLDIN GOVERNMENT MOST PROBABLY WILL HAVE SATISFIED ITS SUPPORTERS. FALLDIN WAS NOT CHOSEN TO DISRUPT THE VAST SWEDISH SOCIAL WELFARE SYSTEM NOR TO CHANGE FOREIGN AND SOCIAL POLICIES IN ANY BASIC WAY. WHILE THE CENTER PARTY'S TRADITIONAL DEMANDS FOR "DECENTRALIZATION" OF GOVERNMENT CONTINUE TO BE HEARD, LITTLE IN THE WAY OF SPECIFIC MEASURES HAS BEEN BROACHED HERE SINCE OCTOBER 8 AND THE CONCEPT REMAINS FUZZY TO MOST SWEDES.

5. NUCLEAR ENERGY ISSUE. FALLDIN'S CAMPAIGN HOPES TO STOP SWEDEN'S "MARCH INTO A NUCLEAR SOCIETY" WILL NOT, APPARENTLY, BE REALIZED (ALTHOUGH HE MAY SLOW THE PACE
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WITH MUCH TOUGHER SAFEGUARD CRITERIA) AND THIS REALITY HAS ALREADY DISAPPOINTED NUMEROUS SUPPORTERS (INCLUDING MANY IN HIS OWN CENTER PARTY). PALME EVEN TODAY CONTINUES TO BLAME HIS DEFEAT ON THE NUCLEAR ENERGY ISSUE AND HE PERSONALLY HAS LED HEATED SDP ATTACKS ON FALLDIN FOR THE LATTER'S "DECEIT" IN RENEGING ON CAMPAIGN PROMISES TO DISMANTLE THE NUCLEAR ENERGY COMPLEX. THE EMBASSY BELIEVES, HOWEVER, THAT JUST AS NUCLEAR ENERGY ISSUES ALONE DID NOT EXPLAIN FALLDIN'S VICTORY, NEITHER WILL HIS HANDLING OF THEM ALONE CAUSE HIM TO FALL FROM POWER.

6. VOTER SUPPORT TODAY. A SIFO PUBLIC OPINION POLL PUBLISHED ON NOVEMBER 28 INDICATES THAT SUPPORT FOR THE THREE COALITION PARTIES HAS SLIPPED SOMEWHAT SINCE THE SEPTEMBER ELECTIONS, FROM A TOTAL OF 50.7 PERCENT IN VOTER PREFERENCE TO 49.5 PERCENT TODAY. (MODERATE PARTY FROM 15.6 TO 15; LIBERAL PARTY STABLE AT 11; AND CENTER PARTY FROM 24.1 TO 23.5). THE SOCIAL DEMOCRATS AND

COMMUNISTS, MEANWHILE, REACHED A SIMILAR TOTAL OF 49.5 PERCENT (SDP FROM 42.9 TO 44.5 AND VPK FROM 4.7 TO 5). THE GOVERNMENT'S SLIPPAGE IS DUE TO A COMBINATION OF FACTORS, INCLUDING A WELL-PUBLICIZED WORSENING OF ECONOMIC INDICATORS, THE GOVERNMENT'S SELF-GENERATED DISARRAY (DISCUSSED ABOVE) AND THE EFFECTIVENESS OF SDP ATTACKS ON THE GOVERNMENT, PARTICULARLY PALME'S "DECEIT" ARGUMENT AGAINST FALLDIN ON NUCLEAR ENERGY.

7. POLICIES IN AREAS OF PARTICULAR US INTEREST.

A. FOREIGN POLICY. GOVERNMENT SPOKESMAN PUBLICLY AND PRIVATELY NEVER TIRE OF REPEATING TO THE MEDIA AND THIS EMBASSY THAT THE BASIC LINES OF SWEDISH FOREIGN POLICY UNDER THE FALLDIN GOVERNMENT WILL BE THE SAME AS IN PREVIOUS GOVERNMENTS. CONTINUITY, THEY SAY, IS THE KEY WORD BECAUSE FOREIGN POLICY IN SWEDEN IS THE DISTILLATION OF EXTENSIVE PUBLIC DEBATE AS WELL AS CAREFUL RIKSDAG CONSIDERATION. PRESENT POLICIES ARE, THEREFORE, WIDELY SUPPORTED. WE AGREE THAT A REMARKABLE CONSENSUS FOR GOS POLICY DOES EXIST HERE AND ANY CHANGE IN THE FOLLOWING AREAS IS NOT IN THE CARDS: NON-ALIGNMENT AND CONFIDENTIAL

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STRONG DEFENSE; CLOSE COOPERATION WITH THE NORDICS AND WESTERN EUROPE; EXTENSIVE SUPPORT OF THE UN, PARTICULARLY IN THE DISARMAMENT AND NUCLEAR NON-PROLIFERATION FIELDS; MORAL AND FINANCIAL SUPPORT OF THIRD WORLD DEMANDS AND LIBERATION MOVEMENTS IN SOUTHERN AFRICA; AND , NOT LEAST, THE MAINTENANCE OF A HIGH STANDARD OF LIVING IN SWEDEN. YET THE CHANGE IN GOVERNMENTS HAS ALREADY BROUGHT ABOUT SMALL BUT SIGNIFICANT COSMETIC CHANGES IN DIRECTION AND TONE WHICH WE VIEW AS POSITIVE DEVELOPMENTS. FOR ONE, THE NEW SWEDISH FOREIGN MINISTER AND HER MFA COLLEAGUES ACTUALLY APPEAR TO HAVE AUTHORITY TO FORMULATE AND IMPLEMENT FOREIGN POLICY. FALLDIN, AS FAR AS IS KNOWN, HAS NOT UTTERED ONE PUBLIC WORD OR MADE ONE REFERENCE TO FOREIGN POLICY SINCE OCTOBER 8 WHEN THE GOVERNMENT WAS SWORN IN. SOME SWEDES MAY BE NOSTALGIC FOR THE PAST AND PALME'S STRONG PERSONAL CONTROL OVER FOREIGN POLICY AND HIS PERIODIC OUTBURSTS AGAINST THIS OR THAT REGIME, BUT WE HAVE YET TO MEET ONE. THE EMBASSY HAS NOW DEALT WITH FOREIGN MINISTER SODER ON SEVERAL OCCASIONS AND WE BELIEVE THE FRAME WORK FOR COOPERATION, AND CLOSE CONSULTATION WHEN NECESSARY, IS FIRMLY IN PLACE. IN THESE RESPECTS, OUR ABILITY TO INFLUENCE SWEDISH POLICY HAS BEEN SOMEWHAT ENHANCED AS HAVE US INTERESTS GENERALLY.

B. FOREIGN ASSISTANCE. SWEDISH AID POLICY WILL CONTINUE ALONG LINES SIMILAR TO THOSE PRESCRIBED BY THE

SOCIAL DEMOCRATS. EMPHASIS, HOWEVER, WILL BE ON GETTING MORE TO THE POOREST AND PROPORTIONATELY SOMEWHAT LESS TO THE RADICAL REGIMES, PARTICULARLY CUBA. DESPITE COST OVER-RUNS AND OPERATIONAL NIGHTMARES, THE NORTH VIETNAMESE PAPER MILL WILL BE COMPLETED AND POSSIBLY OTHER PROJECTS BEGUN, IN LINE WITH SWEDEN'S STRONG SUPPORT OF THE LEGITIMIZATION OF THE NORTH VIETNAMESE GOVERNMENT. THE OECD TARGET FOR OFFICIAL DEVELOPMENT ASSISTANCE OF 0.7 PERCENT OF GNP, WHICH SWEDEN HAS ACHIEVED, MAY EVEN BE EXCEEDED. EVEN THOUGH PUBLIC SENTIMENT, AND THE VIEWS OF MANY OF THE NEW LEADERSHIP GROUP, MIGHT TURN AGAINST CERTAIN AID PROGRAMS, SUCH AS THAT OF CUBA, BROAD SWEDISH SUPPORT FOR AID TO THE POOREST NATIONS WILL REMAIN. SWEDEN WILL CERTAINLY CONTINUE TO CRITICIZE THE US AND OTHERS WHICH FAIL TO MEET THE OECD GOAL.

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C. NORTH-SOUTH DIALOGUE. THUS FAR, NO REASSURING CHANGES HAVE APPEARED IN SWEDEN'S ATTITUDES TOWARDS THE DIALOGUE WITH THE DEVELOPING COUNTRIES IN ITS MANY FORA SUCH AS CIEC AND UNCTAD. DIFFERENCES WITH THE US OVER HOW TO HANDLE THE DEBT ISSUE AND HOW AND WHERE TO DEBATE COMMODITY ISSUES WILL REMAIN. TOO MUCH POLITICAL ADVANTAGE IS GAINED BY THE SWEDES IN THEIR CONSIDERABLE ACCOMODATION TO LDC DEMANDS FOR US TO EXPECT CHANGES. IN FACT, WE REGARD IT MORE LIKELY THAT US POLICY MIGHT MOVE IN SWEDEN'S DIRECTION ON CERTAIN ISSUES, FOR EXAMPLE IN ACROSS-THE-BOARD EASING OF THE DEBT BURDEN OF THE MOST SERIOUSLY DISADVANTAGED STATES. THOUGH DIFFERENCES WILL REMAIN WITH THE SWEDES, WE ALSO EXPECT THAT, AS IN THE PAST, THEIR DELEGATIONS WILL BE OCCASIONALLY HELPFUL THROUGH THEIR GOOD ESTANDING WITH THE LDC'S, AND THEIR INSIGHTS WILL BE USEFUL IN
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ANTICIPATING NORDIC ATTITUDES AT SOME CONFERENCES.

D. TRADE POLICY. RECENT CONVERSATIONS IN STOCKHOLM WITH A US MTN TEAM CONFIRMED AGAIN SWEDEN'S FREE TRADE POLICY. THE CURRENT DEBATE IN SWEDEN ON THE LOSS OF SHARES IN ITS PRINCIPAL MARKETS DUE TO THE HIGHEST LABOR COSTS IN THE INDUSTRIAL WORLD HAS STIMULATED MANY CALLS FOR ASSISTANCE, ESPECIALLY FROM THE TEXTILE AND CLOTHING, IRON AND STEEL, SHIPBUILDING, NUCLEAR POWER AND FISHING INDUSTRIES. WE DO NOT EXPECT FINAL MEASURES OF ASSISTANCE - WHICH WILL BE FORMULATED IN THE BUDGET IN JANUARY - WILL BE RESTRICTIVE OF US TRADE OR UNDULY SUPPORTIVE IN THE FORM OF SUBSIDIES. MUCH WILL DEPEND ON THE WAGE NEGOTIATIONS FOR 1977 WHICH HAVE JUST ENTERED THEIR FIRST ROUND. IN OUR VIEW WE DO NOT EXPECT SWEDEN TO SOLVE ITS PRODUCTION PROBLEMS IN SUCH A WAY AS TO INVITE RETALIATION OR RECRIMINATION FROM ITS TRADING PARTNERS.

E. FOREIGN EXCHANGE. ALTHOUGH DEVALUATION OF THE KRONOR HAS BEEN MENTIONED AS A PARTIAL SOLUTION TO SWEDEN'S CURRENT EXPORT SITUATION, OTHER UNDESIRABLE EFFECTS ARE EQUALLY KNOWN AND FEARED. WE WOULD NOT ANTICIPATE A DEVALUATION, AT LEAST NOT UNTIL OTHER MEASURES HAVE BEEN TRIED; THE WAGE NEGOTIATIONS COMPLETED AND THEIR RESULTS FACTORED INTO SWEDEN'S

EXPORT OUTLOOK; OR RENEWED UPWARD PRESSURE ON THE DEUTSHE MARK FORCES THE KRONOR TO MOVE TOO FAR UPWARDS VIS-A-VIS OTHER CURRENCIES. SWEDES ARE ALSO EXPERIENCING AN UNUSUAL PERIOD OF SLOW GROTH AND ARE COUNTING ON AN EXPORT-LED RECOVERY. IF ECONOMIC GROWTH ABROAD DOES NOT PROVIDE SUFFICIENT STIMULUS FOR THE ECONOMY, AND IF THE CURRENT ACCOUNT DEFICIT DOES NOT BEGIN TO LESSEN, BY THE SECOND HALF OF 1977, PRESSURES FOR DEVALUATION AND/OR OTHER DRASTIC CORRECTIVE MEASURES WILL INCREASE GREATLY.

F. DEFENSE - SECURITY. THE EMBASSY FEELS THE NEW GOVERNMENT IS MORE PRONE TO INCREASE DEFENSE SPENDING THAN WAS THE LAST. FINAL CONFIRMATION MUST AWAIT RECOMMENDATIONS OF THE RIKSDAG DEFENSE COMMITTEE AND THE BUDGET PRESENTATION. WE WILL, OF COURSE, CONSIDER CONFIDENTIAL

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THIS A POSITIVE DEVELOPMENT AND ASSUME THAT THE US WILL CONTINUE TO OFFER SWEDEN, TO THE EXTENT POSSIBLE, ITS MILITARY TECHNOLOGY AND HIGH TECHNOLOGY COMPONENTS. IT IS DOUBTFUL THAT MOST OF WHAT SWEDEN NEEDS AND DESIRES COULD BE OBTAINED FROM OTHER THAN US SOURCES. YET NO MATTER WHAT CIRRENT LEVEL OF SPENDNG SWEDEN CHOOSES, THE GRADUAL REDUCTION IN THE COUNTRY'S OVERALL DEFENSE POSUTRE OVER THE LAST 5-10 YEARS (BECAUSE OF INADEQUATE COMPENSATION FOR INFLATION) WILL PROBABLY CONTINUE AND MUST BE OF SOME CONCERN TO THE US AND NATO GIVEN THE EXTENSIVE SOVIET BUILDUP GENERALLY BUT PARTICULARLY IN THE KOLA PENINSULA. IT IS ALREADY A MATTER OF GREAT CONCERN TO THE SWEDISH MILITARY. WHETHER THE FALLDIN GOVERNMENT CAN REVERSE THIS GENERAL TREND MUST AWAIT A LATER ASSESSMENT.

G. LABOR. LABOR-MANAGEMENT RELATIONS ARE ALREAY ONE OF THE MORE TROUBLED AND RISK-FILLED AREAS FOR THE NEW GOVERNMENT. SWEDEN'S COMPETITIVE POSITION IN FOREIGN MARKETS HAS BEEN SERIOUSLY ERODED, IN LARGE MEASURE BECAUSE OF SHARPLY INCREASED LABOR COSTS BROUGHT ABOUT BY RECORD WAGE BOOSTS, DECLINING PRODUCTIVELY AND HIGH LEVELS OF ABSENTEEISM. IN THE NEW BARGAINING ROUND WHICH HAS JUST GOTTEN UNDERWAY, SWEDISH EMPLOYERS HAVE TAKEN AN EXCEPTIONALLY TOUGH POSITION BY DENYING THE POSSIBILITY OF ANY PAY INCREASES UNLESS THE UNIONS COOPERATE IN MEASURES TO IMPROVE INDUSTRIAL EFFICIENCY. ALREADY PUT ON THE DEFENSIVE BY THE SOCIAL DEMOCRATS ELECTION DEFEAT, THE SWEDISH CONFEDERATION OF TRADE UNIONS (LO) IS FINDING IT VERY DIFFICULT TO ASSUME THAT ATTITUDE OF COMPROMISE AND RESTRAINT NEEDED TO REACH A NEW AGREEMENT WITH MODEST BENEFITS DICTATED BY THE CURRENT ECONOMIC SITUATION.

TALKS WILL BE FURTHER COMPLICATED BY THE INCLUSION FOR THE FIRST TIME OF CO-DETERMINATION QUESTIONS. AT BEST, NEGOTIATIONS ARE LIKELY TO CONTINUE FOR MONTHS WITH RESULTING UNCERTAINTY FOR THE ECONOMY. AT THE WORST, AN IMPASSE AND OPEN CONFLICT COULD WELL OCCUR. IT APPEARS NOW THAT THE NEW GOVERNMENT WILL BE OBLIGED TO PLAY AN IMPORTANT ROLE IN BRINGING MANAGEMENT AND LABOR

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TOGETHER BUT IT WILL BE VERY MUCH HINDERED IN THIS TASK BY ITS INEXPERIENCE AND THE CONSIDERABLE DISTRUST ALREADY INDICATED BY THE UNION MOVEMENT.

H. CULTURE AND INFORMATIONAL. IT IS STILL TOO EARLY TO GAUGE ACCURATELY WHERE THE GOVERNMENT MAY BE GOING IN THESE FIELDS. IN LINE WITH ITS APPROACH TO OTHER DOMESTIC SOCIAL ISSUES, THE FALLDIN GOVERNMENT HOPES NOT SO MUCH TO CHANGE SOCIAL DEMOCRATIC PROGRAMS AS TO IMPROVE OR EXTEND THEM THROUGH GREATER FINANCIAL SUPPORT.

IN ONE AREA, HOWEVER, THE GOVERNMENT'S PROGRAM MENTIONS A POSSIBLE MAJOR CHANGE: THE DIVISION OF THE SINGLE-STATE-CHARTERED RADIO SWEDEN SYSTEM INTO THREE PARTS (RADIO, TV CHANNEL 1 AND TV CHANNEL 2). CONCEIVABLY, SUCH A DIVISION WOULD NOT ONLY INCREASE COMPETITION AMONG THE THREE BUT WOULD GIVE LISTENERS AND VIEWERS

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MORE DIVERSE PROGRAMMING AND OPINION.

I. SOCIEENCE AND TECHNOLGOY. THE NEW GOVERNMENT'S INTENTIONS IN THESE AREAS ARE YET TO BE SPELLED OUT, ALTHOUGH FALLDIN IS STRONGLY COMMITTED TO SEVERAL PROPOSALS IN THE ENERGY FIELD. THE ESTABLISHMENT OF STRICT NUCLEAR REPROCESSING AND WASTE STORAGE REQUIREMENTS FOR POWER COMPANIES OPERATING NUCLEAR PLANTS, AND THE ENCOURAGEMENT OF EXTENSIVE RESEARCH ON ENERGY CONSERVATION AND ALTERNATIVE SOURCES (WIND, SOLAR, FUSION). THE EMBASSY FORESEES INCREASED GOVERNMENT EFFORTS TO CONCLUDE AGREEMENTSWITH ENERGY-SUPPLYING COUNTRIES TO SECURE SWEDEN'S SOURCES, E.G. OIL, GAS AND ELECTRICITY FROM NORWAY; COAL FROM POLAND; NATURAL GAS FROM THE USSR; AND URANIUM FROM AUSTRALIA AND CANADA. NONE OF THESE POSSIBILITIES IMPINGE DIRECTLY ON US INTERESTS.

J. AGRICULTURE. PRIME MINISTER FALLDIN AND FIVE OF HIS MINISTERIAL COLLEAGUES ARE FARMERS AND IT WOULD BE SURPRISING ONLY IF MORE GOVERNMENT RESOURCES WERE NOT MADE AVAILABLE TO ASSIST THE AGRICULTURAL SECTOR. WE EXPECT A NEW EMPHASIS ON THE FAMILY FARM, AND ATTEMPTS TO RESOLVE WHATEVER EXPERIMENTAL AND FINANCIAL CONCERNS FACE THE SMALL FARMER. THE FALLDIN GOVERNMENT MOST LIKELY WILL BE LESS CONSUMER-ORIENTED THAN WERE THE SOCIAL DEMOCRATS AND CONSEQUENTLY LESS BOTHERED BY HIGHER FOOD PRICES OR HIGHER GOVERNMENT SUBSDIES TO FARMERS. IN TERMS OF US TRADE, THESE SHIFTS WILL HAVE LITTLE IMPACT, ALTHOUGH WE MAY FIND MORE DIFFICULT THAN BEFORE NEGOTIATIONS FOR THE REMOVAL OF NON-TARIFF BARRIERS IN THE AGRICULTURAL SECTOR.

8. IMPACT ON US INTERESTS. THE FORMATION OF SWEDEN'S FIRST NON-SOCIALIST GOVERNMENT SINCE 1932 WILL HAVE LITTLE MORE THAN PSYCHOLOGICAL IMPACT ON US-SWEDISH RELATIONS. NO DRAMATIC OVERTURES OR CHANGES IN DOMESTIC OR FOREIGN POLICY WHICH WOULD AFFEC US INTERESTS IN SWEDEN OR ELSEWHERE ARE EXPECTED. OUR ABILITY TO CONSULT AND WORK WITH THE SWEDES (AND PERHAPS INFLUENCE FINAL DECISIONS) HAS, HOWEVER, BEEN ENHANCED IN THAT WE ARE

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MUCH LESS FREQUENTLY FORCED TO JUMP OVER MENTAL BLOCKS
OF ANTI-AMERICANISM PUT IN PLACE THROUGH SEARS OF
CRITICISM BY PALME AND MANY OF HIS TOP-LEVEL COLLEAGUES
IN THE SOCIAL DEMOCRATIC PARTY. IN MUCH LESS
DOCTRINAIRE FASHION, THE NEW GOVERNMENT APPEARS READY
TO WORK AND COOPERATE WITH US ON CERTAIN FOREIGN POLICY
ISSUES, ON DEFENSE MATTERS AND IN THE ENERGY FIELD, AND
WE, OF COURSE, SHOULD CONTINUE TO RECIPROCATATE TO THE
GREATEST EXTENT POSSIBLE.
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Reference: 76 STOCKHOLM 5604
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Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 07 APR 2004
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Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROGRESS REPORT ON SWEDEN'S NON-SOCIALIST GOVERNMENT
TAGS: PINT, PFOR, SW
To: STATE
Type: TE
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